DRUMMOND

CAPITAL PARTNERS

INVESTMENT PERSPECTIVES

June 2026

Month In Review

Global Equities
0.0%

Aus Equities
0.7%

Aus REITs
4.2%

AUD/USD
-4.1%

US Bonds
0.3%

Commodities
-9.9%

The MSCI All Countries World Index finished flat over a month with mixed performance across sectors and regions. The US and Iran signed a memorandum of understanding (MOU) that reopened the Strait of Hormuz and eased concerns about continued energy supply disruptions. Policymakers at major central banks focused on containing inflation pressures, with both the European Central Bank and Bank of Japan raising rates amid hawkish language of price stability from new Fed Chair Kevin Warsh.

Mixed market performance saw leadership broaden beyond the technology sector. The S&P 500 Index fell 0.7% and its equal-weighted equivalent rose 2.4%, the Nasdaq fell 2.8%, whilst the small-cap Russell 2000 rose 3.7% for the month. Hyperscalers came under pressure amid renewed scrutiny over the payoff on large AI-related capital spending. Equity issuance was a major focus, with the SpaceX IPO debuting as the largest in history at US$86 billion, while Alphabet raised US$85 billion in a landmark equity offering to fund capital expenditure in AI and global computing network infrastructure.

The ASX 200 gained 0.7%, with the healthcare sector performing strongly, up 21.5% after recently hitting a 9-year low, and on limited company specific news, as markets rotated towards sectors considered more resilient amid heightened economic uncertainty. With the RBA holding rates steady after three consecutive hikes, this had a positive impact on the interest rate sensitive Australian REIT sector, which rose 4.2%. After a surge in May, emerging markets retreated 1.4%, with Chinese equities under pressure from slowing economic activity. European equities advanced 3.7%, as earlier inflation concerns eased following the MOU.

Bonds posted modest gains as falling oil prices eased inflation concerns, with US bonds up 0.3%, while Australian bonds outperformed, up 1.0%. Credit markets ended marginally positive, with high-yield and investment-grade credit up 0.1%. Driven by peace prospects, oil prices fell 22.6%, while gold also saw a meaningful drop, down 12.1%, from higher yields and a stronger US currency that also weighed on the Australian dollar, which fell 4.1%.

Things That Matter

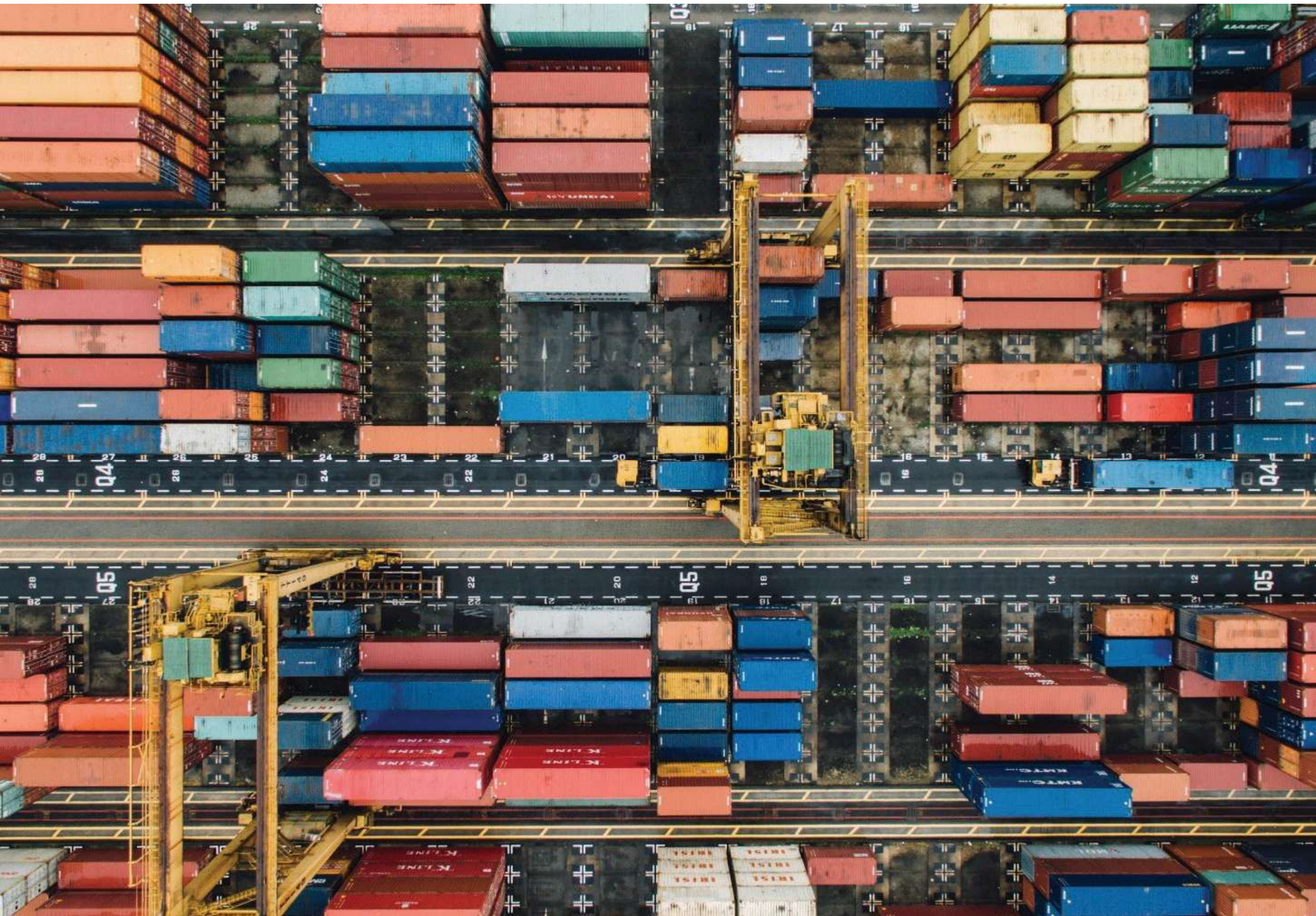
1.	Significant shifts in central bank expectations, while the new Fed Chair adds fresh uncertainty
2.	An era of geopolitical fragmentation is rewiring global trade, with the world organising into regional blocs
3.	AI adoption is in its infancy and is set to transform the competitive landscape across businesses, industries, and geographies
4.	Global demographic shift is underway: ageing populations, shrinking workforces, and developing economies driving future growth
5.	Fiscal stimulus is currently boosting liquidity with mounting government debt presenting longer-term risks

Asset Class Positioning

	Change MoM	Strong Underweight	Underweight	Neutral	Overweight	Strong Overweight
Australian Equities	■	○	●	○	○	○
Global Equities	■	○	○	○	●	○
Property	■	○	○	●	○	○
Infrastructure	■	○	○	○	●	○
Global Alpha	■	●	○	○	○	○
Government Bonds	■	●	○	○	○	○
Corporate Debt	■	○	○	○	●	○
Cash	■	○	○	○	●	○
Total Growth vs Defensive	■	○	○	●	○	○

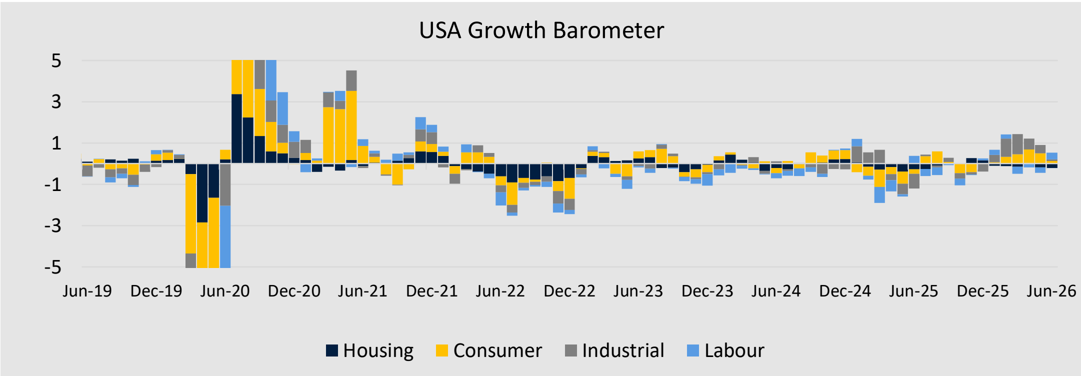
Macroeconomic Overview

North America	
Asia	
Europe	
Australia	



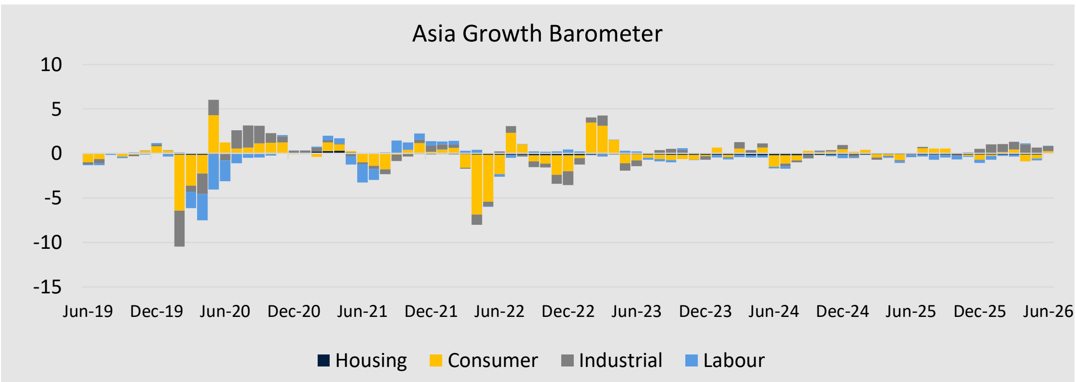
North America

The Federal Reserve held rates steady at 3.5-3.75% in June, but the tone turned more hawkish under new Chair Kevin Warsh, who described policy as 'somewhat restrictive' when viewed through housing markets, though saw little sign of that strain in buoyant financial markets. Warsh's refusal to submit a rate projection, paired with a marked shift away from forward guidance, points to a less transparent Fed and scope for greater rates volatility ahead. Manufacturing activity moderated in June as front-loaded orders faded, though it remained in expansion, with input cost pressures easing as the oil shock from the Iran War continued to fade. The labour market remained resilient overall, with jobless claims falling and unemployment steady at 4.3%, though hiring stayed subdued and unemployment duration lengthened, reflecting a low hire, low fire dynamic.



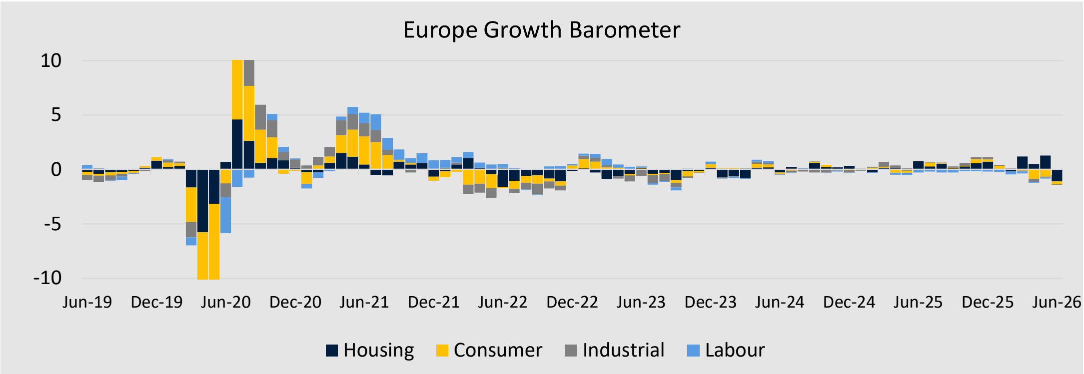
Asia

China's factory activity rose more than expected in June, with manufacturing PMI rising to 50.3 from 50.0 in May, returning to expansion as export orders rebounded. High tech manufacturing remains robust, buoyed by the global AI investment boom, while consumer goods production lagged and construction remained in contraction. Domestic demand stayed soft, with retail sales in May falling for the first time in three years and new home prices declining at a faster pace, underscoring a persistent property drag. Industrial profits diverged, with upstream AI and renewable sectors posting gains while downstream manufacturers remain under pressure. The renminbi strengthened but appears driven by exporters choosing to be paid in RMB rather than policy, leaving Chinese banks holding large US dollar reserves and the currency more exposed to reversal than markets expect.



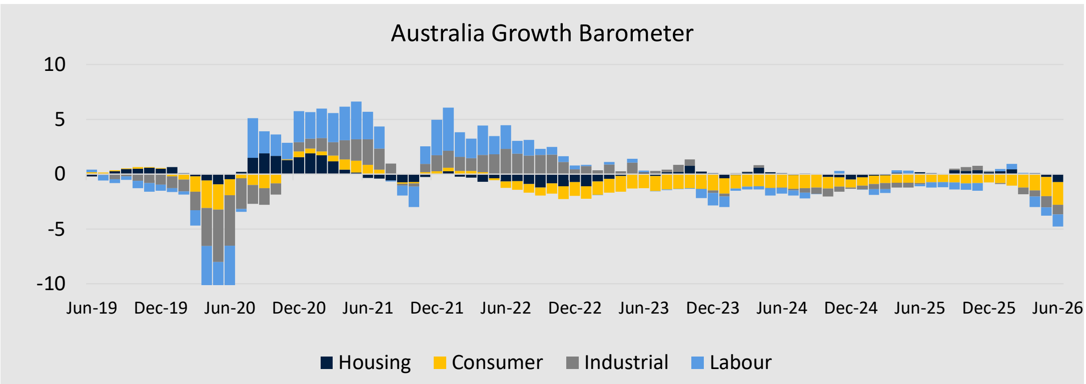
Europe

For its first time since 2023, the ECB raised interest rates by 25bps, driven by surging energy costs, despite headline inflation easing more than expected to 2.8% from May's 3.2%. With energy costs still elevated from the conflict at the time of its decision, the ECB flagged further decisions will depend on incoming data. The composite PMI improved to a three-month high of 49.5, still signalling contraction but pointing to a more moderate rate of deterioration. Household balance sheets remain solid, supporting consumption despite squeezed incomes, while mortgage lending held steady offering some support for housing. Industrial activity was supported by inventory building and higher defence spending. Structurally, persistent delays to the region's energy transition continue to weigh on longer term economic growth.



Australia

The RBA left the cash rate on hold at 4.35% in June, judging financial conditions to be somewhat restrictive while flagging inflation remained materially above target and a further rate hike could not be ruled out. Consumer sentiment fell 2.9% to 80.6, with cost-of-living pressures back at the forefront even as household spending rose a broad-based 1.3% in May, led by services and discretionary categories. Private sector credit continued to expand at a solid pace, up 0.7% in May, led by strong business borrowing tied to data centre and AI-related investment, even as housing credit growth showed signs of slowing. Dwelling prices fell 0.4% in June, with corrections deepening in Sydney and Melbourne while momentum eased elsewhere. The RBA continued to flag weak productivity growth as a key impediment to sustainably returning inflation to target, with little prospect of improvement soon given the May budget's shortfall in delivering the structural reform needed to lift the economy's supply capacity.



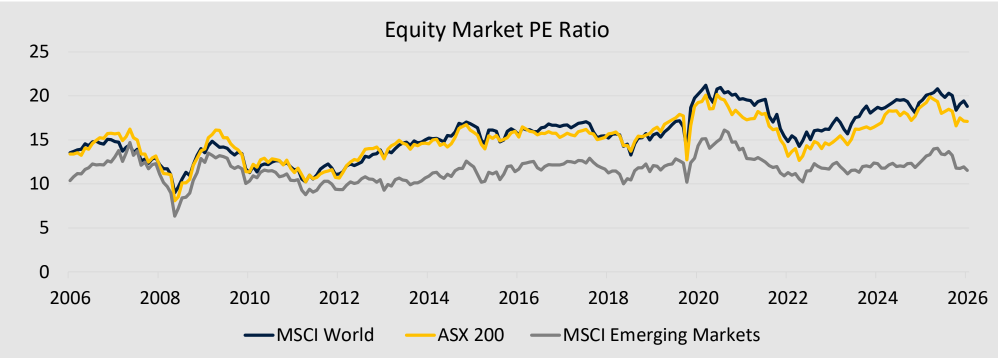
Asset Class Overview

Equities	Overweight
Bonds	Underweight
Credit	Overweight
Infrastructure	Overweight
Property	Neutral
Global Alpha	Underweight

Equities

Overweight

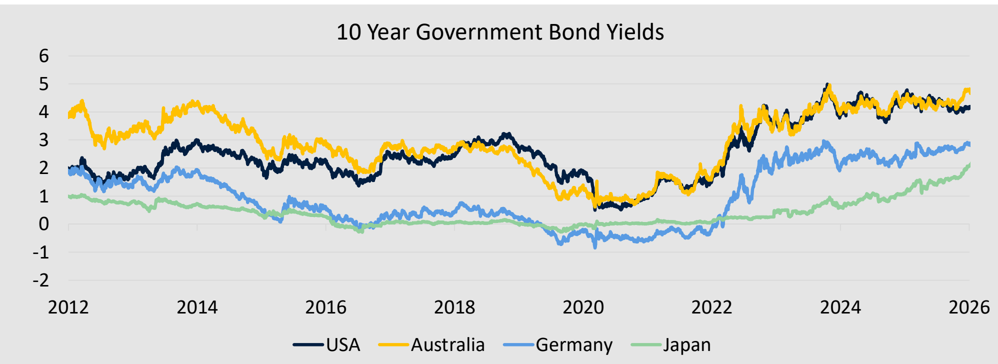
Global equities finished flat in June, with the S&P 500 falling 0.7% despite a strong second quarter. The pullback was concentrated in the 'Magnificent Seven', down 9.0% for the month, while financials and healthcare provided the strongest sector contributions and small caps outperformed broader benchmarks. US semiconductor names continued to advance, even as hyperscalers came under pressure, underscoring divergence within the AI trade, while S&P 500 forward earnings growth expectations improved further to 21.8%, lowering the forward PE multiple to 20.1x. The ASX 200 rose 0.7%, led by healthcare, up 21.5%, as investors shifted capital towards businesses considered more resilient during economic uncertainty, while energy fell 6.4% on the developments of a peace deal in the Middle East. Emerging markets eased 1.4% after two strong months, still capping their best quarterly return since 2009, as Taiwan and South Korea's semiconductor names saw sharp swings following May's strong rally. Portfolios remain neutral growth assets.



Bonds

Underweight

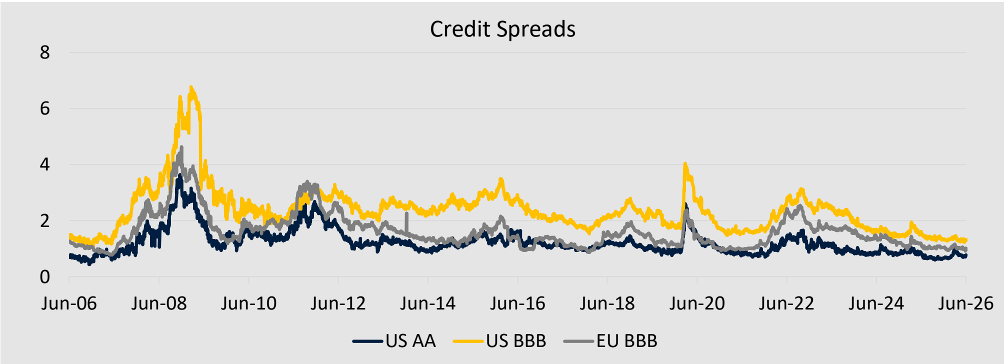
Global bond markets delivered modest gains in June as easing Middle East tensions drove lower oil prices and yields across most developed markets, even as central bank policy paths diverged. The Fed held rates steady, though Wall Street remains split on its next move with the shift away from explicit forward guidance under new Chair Kevin Warsh injecting greater volatility into rate expectations. The US Treasury curve flattened further, with front end yields rising while longer dated yields eased on softer inflation concerns. UK and German yields declined, while the Bank of Japan continued its normalisation path, lifting its policy rate to 1.0%. Domestically, the RBA held its cash rate at 4.35%, judging financial conditions sufficiently restrictive while inflation remains above target. Portfolios remain underweight bonds.



Credit

Overweight

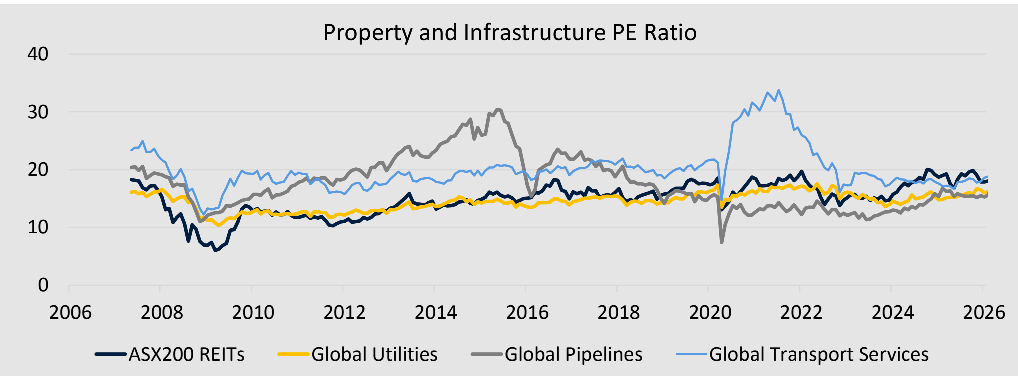
Corporate spreads remain historically tight, though some spread widening occurred from risk assets seeing increased volatility. Robust corporate balance sheets support our conviction toward floating rate Australian credit. The asset class demonstrated its resilience through recent bouts of volatility, with spread behaviour remaining well contained. Relative value domestically remains compelling, offering a yield premium over comparable offshore exposures. This view continues to be reflected in portfolio positioning, which retains a cautious tilt toward higher quality, more liquid exposures.



Property / Infrastructure

Overweight

These asset classes typically have robust inflation hedging characteristics over the long-term. REIT income typically grows annually through fixed or inflation-linked mechanisms providing multi-year structural growth tailwinds. Australian REITs continued to post strong gains up 4.2%, seeing some sector rotation from technology and resources. Infrastructure delivers essential services with earnings visibility spanning long periods through contracts and regulatory frameworks. Current valuations are compelling relative to global equities as ongoing infrastructure expansion drives power and digital connectivity demand. The portfolios are overweight infrastructure and neutral on property.



Global Alpha

Underweight

We are underweight global alpha which is offset by overweights to other asset classes including global equities, infrastructure, and corporate debt.

Asset Class Returns

	Latest Value 01/07/26	Monthly Performance	Quarterly Performance	Half Year Performance	Yearly Performance
MSCI World All Countries	1,352	0.0%	15.3%	12.4%	26.0%
S&P/ASX 200	8,779	0.7%	4.1%	2.4%	6.1%
MSCI Emerging Markets	1,723	-1.4%	24.1%	24.0%	44.2%
Nasdaq Composite	26,214	-2.8%	21.6%	13.1%	29.5%
Euro Stoxx	672	3.7%	15.2%	12.4%	23.3%
Australian Property	96	4.2%	14.8%	-2.8%	-2.0%
Global Infrastructure	79	5.6%	2.7%	9.9%	12.4%
Australian Bonds	4.73%	1.0%	2.7%	2.1%	0.4%
US Bonds	4.44%	0.3%	0.4%	0.4%	2.8%
High Yield Credit (spread/return)	1.3%	0.1%	2.1%	1.7%	5.2%
Investment Grade Credit (spread/return)	0.8%	0.1%	1.3%	0.9%	4.1%
US $ / Australian $	0.69	-4.1%	0.4%	2.6%	4.9%
Crude Oil-WTI	70.6	-22.6%	-31.4%	23.2%	6.4%
Gold Bullion $/T Oz	4,036	-12.1%	-12.7%	-6.7%	22.9%